IN THE

Supreme Court of the United States

HARVEY S. COVER,

Petitioner,

vs.

CHICAGO EYE SHIELD COMPANY,
an Illinois corporation,

Respondent.

BRIEF IN BEHALF OF HARVEY S. COVER IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS OF THE SEVENTH CIRCUIT.

The District Court's judgment awarding costs to the defendant "solely because of defendant's offer of judgment" is printed at R. 14. Its order refusing to allow costs to the plaintiff "because of defendant's offer of judgment" is printed at R. 14. The opinion of the Circuit Court of Appeals is printed at R. 30 (so far unreported). Prior opinions of the Circuit Court of Appeals in this litigation are reported at 111 F. (2) 854 and 130 F. (2) 25.

Jurisdiction.

The statement of jurisdiction is set forth.

Statement of the Case.

The facts have been set forth in the foregoing petition.

Specification of Errors.

The Circuit Court of Appeals erred in holding that the hearing on the accounting in a patent suit is a separate trial from a hearing on the issues of validity and infringement and the right to an injunction and an accounting, and that a valid offer of judgment may be made more than ten days before the beginning of a hearing on the accounting, and does not have to be made more than ten days before the beginning of the trial on the issues of validity and infringement and the right to an injunction and an accounting, within Rule 68, which requires that an offer of judgment be made "more than ten days before the beginning of the trial."

Summary of Argument.

The offer of judgment was invalid because it was not made more than ten days before the *beginning* of the trial. A hearing on an accounting is not a separate trial from a hearing on validity and infringement and the right to an injunction and an accounting. The hearing on an accounting is incidental, relates to the relief, and is a part of the single trial which began with the hearing on validity and infringement and the right to an injunction and an accounting. A valid offer of judgment must be made before the beginning of the hearing on the issues of validity and infringement and the right to an injunction and an accounting in a patent suit.

It is too late when not made until the case has been tried and the patents held valid and infringed and an injunction and an accounting awarded plaintiff by the District Court, and the judgment affirmed by the Circuit Court of Appeals, as was the case herein.

ARGUMENT.

As the Circuit Court of Appeals stated:

> "This appeal involves the construction of Rule 68 of the Federal Rules of Civil Procedure relating to offers of judgment. The question raised is whether the offer to confess in this case was served upon appellant more than ten days before the beginning of the trial. * * *"

Rule 68 provides:

> "At any time more than 10 days before the trial begins, a party defending against a claim may serve upon the adverse party an offer to allow judgment to be taken against him for the money or property or to the effect specified in his offer, with costs then accrued. * * *"

The trial of the issues of validity and infringement and the right to a permanent injunction and an accounting, began on June 5, 1939. The defendant could have made, but did not make, its offer before the beginning of the trial. Instead, it delayed making the offer of judgment until August 20, 1940, before the beginning of the hearing on the accounting, which was more than fourteen (14) months after the trial on the issues of validity and infringement, and the right to a permanent injunction and an accounting.

The courts below ruled that the hearing on the accounting was a separate trial, and that the defendant had the right to delay its offer of judgment until after the trial of validity and infringement, and the right to a permanent injunction and an accounting, and the appeal therefrom to the Court of Appeals and make the offer before the accounting.

In this, we submit, the courts below erred. The very wording of Rule 68 is so clear that there would seem no room for interpretation. The Rule states:

> "At any time more than 10 days before the trial begins * * *"

To allow the ruling of the courts below to stand, will defeat the very purpose of the Federal Rules of Civil Procedure, of which Rule 1 states that the Rules of Civil Procedure

> "* * * shall be construed to secure the just, speedy and inexpensive determination of every action * * *"

The construction applied by the courts below secures "the unjust, tardy and expensive determination of every action."

If the ruling below is allowed to stand, it will set a precedent to encourage defendants to delay offers of judgment and to delay the determination of actions, to increase expense and to promote injustice. Every defendant, in a patent case, at least, will undoubtedly contest the issues of validity and infringement, experiment with these issues, and put the plaintiff to expense and trouble in sustaining these issues before making an offer of judgment. Every defendant would be encouraged further to appeal an adverse decision on validity and infringement to the Circuit Court of Appeals as was done herein be-

fore making an offer of judgment, based upon facts exclusively within defendant's knowledge, and further delay determination of the action and increase the expense.

On the contrary, a construction of the Rule which would require that the offer of judgment to be made as the Rule states:

> "more than 10 days before the trial begins" (that is, before the trial of the issues of validity and infringement, and the right to a permanent injunction and an accounting).

would really promote the object of the Rules, to-wit:

> "just, speedy and inexpensive determination of every action."

Under such construction, practically every defendant who would make an offer of judgment at all would make it before the trial of the issues of validity and infringement. There would, also, be an incentive for the plaintiff to accept an offer of judgment before the trial of the issues of validity and infringement, because he might obtain the "just, speedy and inexpensive determination of the action in the case before any substantial expense is incurred.

The same incentive would not exist where there had already been a trial of the issues of validity and infringement, and substantial expense had been incurred.

Aside from this, the construction employed by the courts below would be most unfair, because in an accounting, the facts usually are within the peculiar knowledge of the defendant, and the defendant alone knows how many devices, how much profits he has made, and how much profit is attributable to the invention.

In the case at bar, the plaintiff had been put to all the expense and trouble of the trial and the appeal to the Circuit Court of Appeals, and had experienced the hazard and expense of testing the validity of his patents, infringement, and the right to an injunction and an accounting in both the trial court and the Circuit Court of Appeals.

On the other hand the defendant-respondent herein, first experimented with a trial in the District Court, and having failed therein, it again experimented with an appeal to the United States Circuit Court of Appeals; and again having failed, it then, for the first time, made its offer of judgment. It was not experimenting at that time, because it had full knowledge that it had lost on the question of validity and infringement, and petitioner's right to a permanent injunction and an accounting.

The only question left for settlement was the amount of profits it had to account for. It had full and complete knowledge of the amount of profits it had made by the manufacture and sale of the adjudicated infringing device—while petitioner had no knowledge whatever in this regard.

If an offer of judgment may be made later than "more than 10 days before the trial begins," how late in the case may it be made? If the defendant had made its offer of judgment on June 1, 1939 (instead of August 29, 1940) it would seem to have been too late, because it would not have been made "ten days before the trial begins" which was on June 5, 1939. If the offer of judgment would have been too late if it were made on June 1, 1939, how could it be in time if it were made fourteen months later?

The Petitioner submits that the effect of the construction applied by the lower courts to Rule 68 shows plainly the error of that construction.

Petitioner submits that it is significant that Rule 68 uses the words "*the trial* begins." If the Rule contemplated that there should be more than one trial in a case, and an offer of judgment could be made before any one of the trials, the Rule would have stated instead:

> "At any time more than 10 days BEFORE ANY *ONE* OF THE *TRIALS* BEGINS."

The Rule did not so state, and its failure to so state makes it seem manifest that the construction employed by the courts below that an accounting is a separate trial, is an erroneous one.

Further, if the trial court, after deciding the issues of validity and infringement and the right to an injunction and an accounting, had proceeded itself to conduct the accounting immediately thereafter, as it could, it would hardly be contended that the defendant would have had a right to make a valid offer before the accounting.

The accounting may be heard at the same time as the issues on validity and infringement. *Barrick* v. *Pratt* (C. C. A. 5), 32 F. 2(d) 733, 734. *McManus* v. *Sawyer,* 231 F. 231, 233; U. S. P. Q. (S. D.) 733, 734.

The Circuit Court of Appeals ruled that it has been the custom for many years in patent cases to

> "first have a separate hearing on the question of validity and infringement and never to go into a question of accounting until the questions of validity and infringement have been determined. * * *"

In effect, the Circuit Court of Appeals has ruled that

there may be two trials in a patent case, that is, there is one trial of the issues of validity and infringement, and another later trial of the accounting. In so concluding, we submit the Circuit Court of Appeals plainly erred.

The decision below is in conflict with analogous applicable decisions of the Supreme Court.

The Supreme Court, construing identical language in a removal case, has held that the hearing on an accounting is not a separate trial but only a part of one single trial.

The Supreme Court interperted the Third section of the Act of March 3, 1875 (18 Stat., Part 3), providing that whenever either party entitled to remove a suit should desire to remove a suit, the party may

> "file the petition in such suit in such court, before or at the term at which said cause should be tried and *before the trial* thereof for the removal of such suit. * * *"

In *Jifkins* v. *Sweetzer,* 102 U. S. 177, there was a trial in the State Court and an affirmance by the Supreme Court of the State. Nothing remained to be done but to take an accounting. Thereafter a petition was filed for removal, which was denied by the Supreme Court. The court held the accounting was not a new hearing but was only a continuation of the old hearing.

> "The final hearing was entered on when, in the orderly course of proceedings, the issue made by the pleadings, and on which the rights of the parties depended, was submitted to the court for judicial determination. It matters *not* that after the *main question* in the case had been settled, the convenience of the court made it necessary to call in the help of a master. In this way no new hearing was entered on. The old submission was only continued until the details of the original inquiry could be *settled* for the purposes of a final decree."

Other Supreme Court cases construing the words "before trial" are:

Removal Cases, 100 U. S. 453, 373.
Alley v. *Nott,* 112 U. S. 472, 475, 476, 477.
Lookout Mountain Ry Co. v. *Houston & Co.,* 32 Fed. 711.

It is manifest from the above decisions that this Court has not considered an accounting as a new trial, and that the words "before trial begins" mean before trial of the main case.

The ruling below, we submit, is in conflict with the well-established law that there can be only one trial between the same parties in a single case, on the same cause of action.

The rule is universal that a trial is not ended until a judgment can be entered which shall be a final disposition of the controversy on its merits.

In *Griggs* v. *Meek,* 261 Pac. 126, 37 Wyo. 28, the court said:

> " * * * We are concerned in this case with the question of—when does a trial end—rather than—when does it commence, since in this case the plaintiff had introduced all of his evidence and rested when the hearing was interrupted. *Ordinarily, a trial is not ended until a judgment can be entered, which shall be a final disposition of the controversy on its merits.* Hyatt on Trials, v. 1, p. 44; *Gulf, Colorado & Sante Fe R. R. Co.* v. *Muse,* 109 Tex. 352; 207 S. W. 897, 4 A. L. R. 613. There is authority to the effect that a hearing which does not terminate in a judgment is not a trial. *State* v. *Hasledahl,* 2 N. D. 521, 52 N. W. 315, 16 L. R. A. 150. That a trial, once commenced, does not end until the completion of the examination or investigation in con-

troversy *there can be no doubt.* * * * It would therefore appear that the term 'trial' contemplates, the *final disposition of the controversy,* either on the fact or on a question of law."

"In a broad sense a hearing includes every step where the judge is called upon to rule for or against any party to the cause."

State ex rel. Lebeck v. *Schabez,* 113 P. (2d) 179, 187; 45 N. M. 161.

Rankin-Nash v. *Texas,* 58 S. W. (2d) 902.

Central v. *Loiseau,* 235 N. W. 106, 107.

Mygalt v. *Wilcox,* 35 How. Pr., N. Y., 410, 412.

Molen v. *Demming & Clark,* 50 P. (2) 11; 56 Idaho 57.

Hastings v. *Hastings,* 531 Cal. 95, 96.

Neal v. *Curtis,* 41 S. W. 543, 557; 328 Mo. 389.

Thompson v. *Jackson,* 116 N. E. 452.

Hancock v. *Bradstreet,* 13 Cal. 637.

The fact that there may be legal questions raised going to less than the complainant's whole case and that these may be separately determined does not mean that there is more than one trial.

30 C. J. Secundum, 882.

The court expressly recognized that the costs would have been awarded to the plaintiff, except for the defendant's offer of judgment, sustaining the Master's recommendation. This conclusion is inescapable from the District Court's use of words in awarding the costs to defendant—"solely because of defendant's offer of judgment."

The defendant has no right to ask for costs in this case on any other ground than on its offer of judgment. The defendant assigned error on its appeal to the Circuit Court of Appeals (Assignment No. 36), (Accounting Record, Ex-

hibit 18, p. 291). The defendant abandoned its assignment of error by expressly stating:

"We shall not argue the question of costs" because defendant's offer of judgment was not a part of the record, because expressly inadmissible under Rule 68 until the entry of judgment. Furthermore the Master's report finding the issues in favor of petitioner and awarding costs to petitioner was affirmed by the Circuit Court of Appeals.

The decision below is in conflict with decisions of the courts of the states having similar rules or statutes from which Rule 68 was adapted.

Rule 68 was derived from Section 9323 of the Minnesota Statute (1927); Section 9770 of the Montana Statute (1935) and Section 177 of the New York Civil Practice Act (1937). These states and other states have had very similar rules or statutes, for years.

In *Mansfield* v. *Fleck*, 23 Minnesota 61, it was held that an offer of judgment made nine and one-half (9½) days before the trial was too late.

To the same effect are:

Warner v. *Babcock*, 41 N. Y. S. 493, 494.
Corning v. *Radley*, 54 N. Y. S. 565, 566.
Herman v. *Lyons*, 17 N. Y. Sup. Ct. 111.
Federal Deposit Ins. Corp. v. *Fruit Growers Service*, 2 F. R. D. 131.

A hearing on an accounting is incidental and a part of the relief and is not a new trial as distinguished from the hearing on validity and infringement and the right to an injunction and accounting.

An accounting is an incident of the right of injunction, and a part of the relief.

In *Flat Slab Patents Co.* v. *Turner,* 285 F. 257, 272, the Circuit Court of Appeals of the Eighth Circuit said:

> " * * * In a patent infringement case two kinds of relief may be afforded: Prevention of future infringement and compensation for past infringement. The latter ordinarily requires an accounting to ascertain the amount due. Such is the sole purpose and function of an accounting in an infringement case. * * *
>
> "The rights of the parties are settled by an interlocutory decree of infringement. Nothing remains but to ascertain the damages."
>
> *Providence Rubber Company* v. *Goodyear,* 9 Wall., U. S. 788.

But as the account for profits previously was the incident of the suit, and not its object, so now the power to award damages and to multiply them is added as an incident to the right to an account.

> *Filer & Stowell Co.* v. *Diamond Iron Works,* 270 F. 491.
>
> *Root* v. *Railway Co.,* 105 U. S. 216, 28 U. S. 455; Hopkins on Patents, p. 605.
>
> *Chapman* v. *Ferry, et al.,* 12 Fed. 695.
>
> *Atwood* v. *Portland Co.,* 18 Wood, 10 F. 284.

In *Boissevain* v. *Pope,* 118 N. Y. S. 577, there was a reference to state an account. The court said:

> "In my opinion there was but one trial, the proceeding before the Referee being a part of such single trial, and not an independent and separate trial. The investigation of the account, to ascertain on which side the balance lay and the amount thereof, may have been made by the trial justice as a *continuation and a part of the trial which was heard before him.*
>
> "The fact that he followed the settled practice of sending such questions to a Referee does not affect the character of such investigation of the account, which was clearly interlocutory."

Taaks v. *Schmidt,* 25 How. Pr. (N. Y.) 340.
Young v. *Syracuse,* 71 N. Y. S. 221.
McMulkin v. *Bates,* 46 How. Pr. (N. Y.) 409.

Your petitioner submits that these rulings are persuasive that when Rule 68 uses the words "ten days before the beginning of the trial," the rule contemplated the trial of the main case and the offer of judgment must be made before the trial of the main issues of validity and infringement. The analogous authorities show that, the hearing on an accounting is not a separate trial but only a part of the same single trial in the case.

If the decision of the Circuit Court of Appeals is allowed to stand, it means that a defendant in a patent suit *cannot possibly* make a valid offer of judgment before the trial of the issues of validity and infringement. Rule 68 provides that if the offer of judgment is accepted; and the offer and acceptance is filed, the Clerk shall enter judgment thereupon.

But this is impossible under the opinion of the Circuit Court of Appeals below, because the court holds:

> "Besides, the public has a real interest in the question of validity, and courts should never, and we suppose they never did, adjudge validity upon stipulation of the parties. It might be said that under such circumstances the court might file the entry of judgment until the questions of validity and infringement have been decided. *But the rule does not permit this* where both the offer and its acceptance must occur within twenty consecutive days and the clerk enters the judgment without hearing by, or submission to the court."

Thus, it is manifest that under the reasoning of the court below, it is *impossible* for a defendant to make a valid offer

of judgment in a patent case prior to the trial of the issues of validity and infringement and have judgment entered by the Clerk in a patent case. The consequences of the court's reasoning show, we respectfully submit, that the court's reasoning is unsound.

The plain meaning of the rule is that there is only one trial in the case, and the offer must be made more than ten days before that trial begins.

Your petitioner respectfully submits that it is agreed by both parties and the court below that the question is new. It is also agreed by both parties that the question is of great public importance.

CONCLUSION.

It must be manifest that the ruling below involves a precedent, which is of great public importance, not only in all patent cases, but in every case involving a supplementary proceeding.

Your petitioner respectfully submits that the question is one of federal law of great public importance and that it has not been, but should be, settled by this court.

Your petitioner also represents that this petition involves a question decided below in a way probably in conflict with analogous applicable decisions of this court.

Your petitioner respectfully represents that the opinion below is in direct conflict with the express wording of Rule 68. To permit the decision to stand would mean that no offer of judgment can be entered by the Clerk prior to the trial of the principal issues in a patent case.

It is therefore respectfully submitted that this case is one calling for the exercise by this court of its supervisory power by granting a Writ of Certiorari, and thereafter reviewing and reversing the decision referred to.

Most respectfully submitted,

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